

Message Text

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PAGE 01 STATE 153161
ORIGIN COME-00

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /124 R

DRAFTED BY COMMERCE:NMORGAN:TI
APPROVED BY STR:WBKELLY
STR:SLANDE
COMMERCE:BSTEINBOCK
COMMERCE:JJOHNSTON (INFO)
INTERIOR:DSULLIVAN
STATE:MBASS
AGRICULTURE:BHARPER
LABOR:TFUKOWSKY
TREASURY:EBARBER

-----090749 160315Z /61

P R 160056Z JUN 78
FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY
INFO AMEMBASSY BRASILIA

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USMTN

E.O. 11652: N/A

TAGS: ETRD, MTN, BR

SUBJECT: INITIAL U.S. RESPONSE TO BRAZILIAN MTN OFFER

REFERENCE: (A) GENEVA 8687, (B) GENEVA 8832

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1. SUMMARY; WASHINGTON UNABLE TO PROVIDE DETAILED RESPONSE
TO BRAZILIAN MTN OFFER IN TIME FOR MEETING SCHEDULED JUNE
15-16. AS BRAZILIANS SUGGESTED EARLIER, BELIEVE IT WOULD
BE USEFUL TO SCHEDULE SESSION FOR WEEK OF JUNE 26, AT WHICH
TIME U.S. WILL HAVE DETAILED RESPONSE FOR BRAZILIAN DELEGA-
TION. INITIAL REACTION IS THAT THE BRAZILIAN OFFER IS INSUF-
FICIENT GIVEN THE SUBSTANTIAL BENEFITS BRAZIL STANDS TO GAIN

FROM THE GENEROUS U.S. MTN OFFER. BRAZILIAN OFFER CONTAINS FEW SIGNIFICANT TARIFF REDUCTIONS. CURRENT DUTIES FOR MANY ITEMS WHICH BRAZILIANS CHARACTERIZED AS MEDIUM AND HIGH WOULD ACTUALLY BE RAISED. OFFER COVERS LESS THAN HALF OF THE ITEMS ON WHICH U.S. MADE REQUESTS, AND NONE OF ITEMS ON U.S. TROPICAL PRODUCTS REQUEST. OFFER DOES NOT ADDRESS PRODUCT SPECIFIC NONTARIFF MEASURE REQUESTS MADE BY U.S. WE ARE STUDYING ITEMS ON WHICH BRAZIL MADE AN OFFER BUT WHICH WERE NOT REQUESTED BY IN ORDER TO DETERMINE WHETHER ANY OF THESE ARE OF INTEREST TO U.S. DELEGATION SHOULD DRAW ON FOLLOWING COMMENTS WHEN PRESENTING INITIAL U.S. RESPONSE TO BRAZILIAN DELEGATION. END SUMMARY.

2. THE U.S. IS DISAPPOINTED IN QUANTITY AND QUALITY OF BRAZILIAN OFFER. BRAZILIAN OFFER FALLS SHORT OF WHAT WE DEEM TO BE SUFFICIENT RESPONSE TO U.S. REQUESTS. BRAZIL STANDS TO BENEFIT SUBSTANTIALLY FROM U.S. MTN OFFER, AND WE EXPECT GOB TO MAKE SIGNIFICANT TARIFF AND NTM CONTRIBUTIONS ON AGRICULTURAL AND INDUSTRIAL PRODUCTS. THE BRAZILIAN OFFER ON AGRICULTURAL PRODUCTS FAILED TO ADDRESS NEARLY ALL OF THE U.S. REQUESTS. OF THE 110 ITEMS ON U.S. INDUSTRIAL REQUEST, BRAZIL MADE AN OFFER ON 43 ITEMS, WITH A VALUE OF \$84.5 MILLION. THE U.S. INDUSTRIAL OFFER TO BRAZIL IS NEARLY \$200 MILLION. (FYI: BRAZIL HAS MADE AN OFFER ON 2 OF OUR MTN REQUESTS--81.01.01.01 AND 90.19.99.00 --IN THE ARTICLE XXVIII NEGOTIATION. END FYI) SEVERAL OF LIMITED OFFICIAL USE

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THE ITEMS OFFERED BY BRAZIL WERE FOR LIMITED EXEMPTIONS, WHEN THE U.S. REQUESTED THE ENTIRE CATEGORY. WE ARE PARTICULARLY INTERESTED IN BASKET CATEGORIES AS INDUSTRY SOURCES HAVE TOLD US THAT NEW PRODUCTS ENTER UNDER THESE TARIFF CLASSIFICATIONS. NARROW EXEMPTIONS WOULD COVER ONLY A SMALL PROPORTION OF TRADE AND EXCLUDE NEW ITEMS OF POTENTIAL EXPORT INTEREST TO U.S. NO OFFER WAS MADE ON 67 OF THE INDUSTRIAL ITEMS ON THE U.S. REQUEST. IT IS OUR INITIAL JUDGMENT THAT WE PROBABLY WILL ASK GOB TO RECONSIDER OUR REQUEST ON THESE 67 ITEMS AS WELL AS ALL OF THE UNADDRESSED U.S. AGRICULTURAL REQUESTS, INCLUDING THOSE MADE IN THE TP GROUP. (FYI: BRAZIL DID NOT MAKE AN OFFER ON ANY OF THE ITEMS ON U.S. TROPICAL PRODUCTS REQUEST LIST. IN OUR VIEW THESE ITEMS ARE AS IMPORTANT AS THOSE ON THE U.S. MTN INDICATIVE LIST OF TRADE INTERESTS. SINCE BRAZILIAN OFFER IN CURRENT ARTICLE XXVIII NEGOTIATION FALLS OF U.S. REQUEST FOR COMPENSATION, WE HAVE INSTRUCTED MISSION GENEVA TO SUBMIT THE INDUSTRIAL ITEMS ON OUR TROPICAL PRODUCTS LIST AS REQUESTS FOR COMPENSATION IN THE ARTICLE XXVIII NEGOTIATION. THEREFORE, IN INITIAL RESPONSE TO GOB MTN OFFER, DEL SHOULD FOCUS ON OTHER AREAS OF U.S. REQUESTS. END FYI).

3. BRAZILIAN OFFER CONTAINS FEW SIGNIFICANT TARIFF REDUCTIONS. BRAZIL HAS OFFERED TO RAISE AND BIND THE DUTY FOR MANY ITEMS, WHICH ACCORDING TO ITS OWN TECHNICAL GUIDELINES ARE ALREADY AT MEDIUM TO HIGH LEVELS. AS DESCRIBED TO U.S. AT MAY SUBGROUP ON TRADE MEETING, GOB SAID IT WOULD BIND MEDIUM DUTIES AT THE EXISTING RATE, CONSIDER LOWERING HIGH DUTIES BY AS MUCH AS 20 PERCENT, AND RAISE LOW DUTIES. (FYI: AT THAT BRASILIA MEETING AMBASSADOR WOLFF INDICATED THAT GUIDELINES AS DESCRIBED WOULD NOT LEAD TO ADEQUATE RESPONSES TO U.S. REQUESTS. END FYI) CLEARLY WITH REGARD TO MEDIUM AND HIGH DUTIES, BRAZIL HAS CHANGED ITS GUIDELINES IN EVEN MORE UNSATISFACTORY MANNER.

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4. MANY OF THE ITEMS ON THE U.S. REQUEST LIST ARE SUBJECT TO TEMPORARY SURCHARGES. DUTY RATES WERE RAISED 100 PERCENTAGE POINTS IN 1974 ON A BROAD RANGE OF ITEMS DESIGNATED "NONESSENTIAL" OR "SUPERFLUOUS," AND IN 1975 RATES WERE INCREASED 30 OR 100 PERCENTAGE POINTS ON AN ADDITIONAL 2,000 ITEMS. THOSE TEMPORARY SURCHARGES HAVE BEEN EXTENDED UNTIL JUNE 30, 1979. DEL SHOULD BE AWARE THAT, ACCORDING TO OUR INDUSTRY ADVISORS, IT IS THE TEMPORARY RESTRICTIVE MEASURES, I.E., THE SURCHARGES AND 100 PERCENT PRIOR IMPORT DEPOSIT, WHICH ARE THE MOST ONEROUS ASPECTS OF THE BRAZILIAN IMPORT REGIME AS IT APPLIES TO INDUSTRY. GOB TOLD WOLFF TEAM IN BRASILIA THAT ALTHOUGH BOP MEASURES WOULD REMAIN, THEY WOULD CONTINUE TO LIBERALIZE INDIVIDUAL MEASURES. SUGGEST GOB FOCUS ON BOP MEASURES AFFECTING PRODUCT REQUESTS. DURING CONSULTATIONS WITH BRAZIL UNDER ARTICLE XVIII:12(A) HELD IN MAY 1976, THE GOB REPRESENTATIVE STATED THAT NO ITEM IN GATT SCHEDULE III - BRAZIL HAD BEEN AFFECTED BY THE TEMPORARY SURCHARGES. THEREFORE, DEL SHOULD ASK THAT BRAZIL NOT APPLY A TARIFF SURCHARGE ON ANY ITEM BOUND AS A RESULT OF THE MTN NEGOTIATIONS.

5. BRAZIL HAS INDICATED IT CAN MAKE NO OFFER IN RESPONSE TO PRODUCT SPECIFIC NTM REQUESTS MADE BY U.S. WE MUST RECEIVE ASSURANCES FROM GOB THAT THE VALUE OF ANY TARIFF BINDINGS WILL NOT BE IMPAIRED THROUGH APPLICATION OF NON-TARIFF MEASURES. ALL ITEMS ON U.S. REQUEST ARE SUBJECT TO DISCRETIONARY LICENSING SYSTEM. SOME PRODUCTS ON U.S. REQUEST ARE SUBJECT TO PRIOR APPROVAL BY A SPECIAL AGENCY OR SPECIFIC MINISTRY BEFORE CACEX (FOREIGN TRADE DEPARTMENT OF THE BANK OF BRAZIL) WILL CONSIDER ISSUING A LICENSE. FOR SOME OF THE ITEMS ON OUR REQUEST BRAZIL HAS SUSPENDED THE ISSUANCE OF IMPORT LICENSES AS A TEMPORARY BOP MEASURE. AT THE MINIMUM WE MUST RECEIVE ASSURANCES FROM BRAZIL THAT

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IMPORT LICENSES FOR ITEMS ON WHICH A CONCESSION IS GRANTED WILL BE ISSUED PROMPTLY WITHOUT ANY RESTRICTIONS. WITHOUT SUCH A COMMITMENT, THE U.S. CANNOT CREDIT BRAZILIAN TARIFF OFFERS AND WILL HAVE TO RE-EVALUATE ITS OFFER. GOB HAS MADE NO OFFER ON OTHER U.S. PRODUCT SPECIFIC NTM REQUESTS: (1) SUPPLY ACCESS, (2) RESTRICTIONS ON IMPORTS OF USED MACHINERY, (3) THE LAW OF SIMILARS, AND (4) LOCAL CONTENT REQUIREMENTS ON AGRICULTURAL MACHINERY.

6. WE ARE STUDYING THE ITEMS ON WHICH BRAZIL MADE AN OFFER BUT WERE NOT REQUESTED BY THE U.S. IN ORDER TO DETERMINE WHAT INTEREST WE HAVE IN BRAZIL'S OFFER ON THESE PRODUCTS. WE WILL PROVIDE DETAILED ANALYSIS WHEN THIS STUDY IS COMPLETED.

7. WHAT BRAZIL IS OFFERING ON MANY ITEMS IS, IN EFFECT, A CEILING BINDING. THE U.S. IS SKEPTICAL OF THE NEED FOR CEILING BINDINGS AS HIGH AS 30 PERCENTAGE POINTS ABOVE THE TARIFF RATE. BINDINGS AT THE STATUTORY RATES, IN OUR OPINION, WOULD NOT UNACCEPTABLY REDUCE THE FLEXIBILITY OF THE BRAZILIAN CUSTOMS POLICY COUNCIL TO RAISE TARIFFS. THE PROPER COURSE OF ACTION FOR A RESPONSIBLE CONTRACTING PARTY SUCH AS BRAZIL WOULD BE TO ACCEPT BINDINGS AT THE STATUTORY RATE AND, IN THE EVENT AN INCREASE IS NEEDED, SEEK TO IMPLEMENT SUCH INCREASES THROUGH THE PROPER GATT MACHINERY, E.G., ARTICLES XXVIII. THESE GATT PROVISIONS WERE DEVELOPED FOR THE EXPRESS PURPOSE OF GIVING CONTRACTING PARTIES THE FLEXIBILITY TO RAISE BOUND TARIFFS WHEN NEEDED.

8. WHILE THE U.S. DOES NOT REJECT, AS A MATTER OF PRINCIPLE, THE BINDING OF A TARIFF AT A HIGHER LEVEL, OUR ACCEPTANCE OF SPECIFIC CEILING BINDINGS WILL DEPEND ON THE LEVELS AT WHICH THE CEILING BINDING AND THE EFFECTIVE TARIFF IS SET. THE U.S. BELIEVES THAT BRAZIL SHOULD NOT REQUIRE THE MAINTENANCE OF CEILING BINDINGS AT A HIGH LEVEL.

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9. U.S. DEFINITELY WILL SEEK IMPROVEMENT IN BRAZIL'S OFFER. AFTER FURTHER ANALYSIS WE WILL PROVIDE SPECIFIC REQUESTS FOR IMPROVEMENT, INCLUDING A LIST OF SUPPLEMENTAL REQUESTS FOR BRAZIL.

10. WE BELIEVE TWO-PHASE SCENARIO OF NEGOTIATIONS AS PROPOSED BY BRAZILIANS TO BE A GOOD ONE. BY LAST WEEK OF JUNE, U.S. EXPECTS TO HAVE DETAILED RESPONSE TO BRAZIL'S

PRESENT OFFER. CHRISTOPHER

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ORIGIN STR-07

INFO OCT-01 ISO-00 STRE-00 /008 R

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DRAFTED BY:STR/HJROSENBAUM

APPROVED BY:STR/HROSENBAUM

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R 170653Z JUN 78

FM SECSTATE WASHDC

TO AMCONSUL SAO PAULO

AMCONSUL RIO DE JANEIRO

LIMITED OFFICIAL USE STATE 153161

FOLLOWING REPEAT STATE 153161 ACTION GENEVA INFO BRASILIA
DATED JUNE 16, 1978.

QUOTE: LIMITED OFFICIAL USE STATE 153161

USMTN

E.O. 11652: N/A

TAGS: ETRD, MTN, BR

SUBJECT: INITIAL U.S. RESPONSE TO BRAZILIAN MTN OFFER

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EXPORT INTEREST TO U.S. NO OFFER WAS MADE ON 67 OF THE INDUSTRIAL ITEMS ON THE U.S. REQUEST. IT IS OUR INITIAL JUDGMENT THAT WE PROBABLY WILL ASK GOB TO RECONSIDER OUR REQUEST ON THESE 67 ITEMS AS WELL AS ALL OF THE UNADDRESSED U.S. AGRICULTURAL REQUESTS, INCLUDING THOSE MADE IN THE TP GROUP. (FYI: BRAZIL DID NOT MAKE AN OFFER ON ANY OF THE ITEMS ON U.S. TROPICAL PRODUCTS REQUEST LIST. IN OUR VIEW THESE ITEMS ARE AS IMPORTANT AS THOSE ON THE U.S. MTN INDICATIVE LIST OF TRADE INTERESTS. SINCE BRAZILIAN OFFER IN CURRENT ARTICLE XXVIII NEGOTIATION FALLS SHORT OF U.S. REQUEST FOR COMPENSATION, WE HAVE INSTRUCTED MISSION GENEVA TO SUBMIT THE INDUSTRIAL ITEMS ON OUR TROPICAL PRODUCTS LIST AS REQUESTS FOR COMPENSATION IN THE ARTICLE XXVIII

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UNTIL JUNE 30, 1979. DEL SHOULD BE AWARE THAT, ACCORDING TO OUR INDUSTRY ADVISORS, IT IS THE TEMPORARY RESTRICTIVE MEASURES, I.E., THE SURCHARGES AND 100 PERCENT PRIOR IMPORT DEPOSIT, WHICH ARE THE MOST ONEROUS ASPECTS OF THE BRAZILIAN IMPORT REGIME AS IT APPLIES TO INDUSTRY. GOB TOLD WOLFF TEAM IN BRASILIA THAT ALTHOUGH BOP MEASURES WOULD REMAIN, THEY WOULD CONTINUE TO LIBERALIZE INDIVIDUAL MEASURES. SUGGEST GOB FOCUS ON BOP MEASURES AFFECTING PRODUCT REQUESTS. DURING CONSULTATIONS WITH BRAZIL UNDER ARTICLE XVIII:12(A) HELD IN MAY 1976, THE GOB REPRESENTATIVE STATED THAT NO ITEM IN GATT SCHEDULE III - BRAZIL HAD BEEN AFFECTED BY THE TEMPORARY SURCHARGES. THEREFORE, DEL SHOULD ASK THAT BRAZIL NOT APPLY A TARIFF SURCHARGE ON ANY ITEM BOUND AS A RESULT OF THE MTN NEGOTIATIONS.

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Message Attributes

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Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Line Count: 447
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Message ID: 8314c486-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
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Reference: 78 GENEVA 8687, 78 GENEVA 8832
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Review Content Flags:
Review Date: 05 may 2005
Review Event:
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Review Release Date: N/A
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SAS ID: 2308633
Secure: OPEN
Status: NATIVE
Subject: INITIAL U.S. RESPONSE TO BRAZILIAN MTN OFFER
TAGS: ETRD, BR, US, MTN
To: SAO PAULO RIO DE JANEIRO MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8314c486-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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20 Mar 2014
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